

2006-2007 PERFORMANCE PLAN – SENIOR PORTFOLIO MANAGER, INTERNAL EQUITIES (Baggesen)

Quantitative Performance Measures

Weight	Factor	Performance Measure	Incentive Schedule
15%	Global Equity	Return deviation in basis points relative to: Global Equity performance benchmark (GLOBLIC – CPERSGE2)	> -50 basis points = 0 > -10 basis points = 1.0 > +15 basis points = 1.5
10%	Internal Active Equity Portfolio	Return deviation in basis points relative to: Active Internal Equity Long/Short Portfolio (SW5J) vs. CalPERS Custom Wilshire 2500 (Y082)	0 basis points = 0 > +30 basis points = 1.0 > +60 basis points = 1.5
10%	Passive Domestic	Return Deviation in basis points relative to: CalPERS Domestic Passive (SJ64) vs. Custom Wilshire 2500 (Y082) (95%) 2. Internal Micro Cap Index (SW9P – VEA2) (5%)*	> -50 basis points = 0 > -30 basis points = 1.0 > -10 basis points = 1.5
10%	Domestic Fundamental Portfolio	Return deviation in basis points relative to: Domestic Fundamental Portfolio (SWDS) vs. CalPERS Custom Wilshire 2500 (Y082)	0 basis points = 0 + 50 basis points = 1.0 + 100 basis points = 1.5
15%	Index International	Return deviation in basis points relative to: International Equity Index Fund (SWB3) vs. Custom FTSE Index (QR32)	> -60 basis points = 0 > -40 basis points = 1.0 > -20 basis points = 1.5
10%	Total Fund	Excess return in basis points relative to: Total Fund performance (SJ1CA1) vs. Total Fund benchmark (CPERSTO2)	- 40 basis points = 0 0 basis points = 1.0 + 20 basis points = 1.5
10 %	Dynamic Completion Fund	Return deviation in basis points relative to: Dynamic Completion Fund (SW2M) vs. Custom DCF benchmark (ZZV2)	> -200 basis points = 0 > -100 basis points = 1.0 > 0 basis points = 1.5
80%	Subtotal	Quantitative Measures	

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Qualitative Performance Measures

Weight	Factor	Performance Measure	Incentive Schedule
5%	Developmental Fund	Implement 2 strategies within the fund by June 30, 2007.	From schedule
15%	Leadership	Demonstrate leadership within CalPERS and in the external investment community. Dimensions include leadership: <ul style="list-style-type: none">• Within Investment Group• Trustees• CalPERS• External Investment Community	From schedule
20%	Subtotal	Qualitative Measures	
100%	Total	Quantitative and Qualitative Measures	

* Note: This allocation accounts for a higher degree of complexity in managing account SW9P.

Due to lack of materiality, incentive plan excludes the following portfolios: SW8Q Real Estate Extended Market; SW2CA1 Internally Managed REIT; SK52C Deferred Comp S&P 500; SK80B Affiliated Pool S&P 500

Supervisor's Approval: Original signed by Russell Read

Date: August 1, 2006